

DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER
COMMISSIONER REDFORD
COMMISSIONER SMITH
COMMISSION SECRETARY
LEGAL
WORKING FILE**

FROM: TERRI CARLOCK

DATE: JULY 24, 2014

**RE: PACIFICORP'S SHELF AUTHORITY REQUEST OF \$1.575 BILLION
DEBT; CASE NO. PAC-E-14-05.**

On June 30, 2014, PacifiCorp filed an Application requesting authority to incur debt up to \$1,575,000,000 aggregate principal amount at any one time. PacifiCorp also requests authority to enter into letter of credit arrangements to provide additional credit support. PacifiCorp requests this additional authority remain in effect through June 30, 2019 so long as the Company's bond ratings for senior secured debt remain investment grade. Investment grade is BBB- or higher by Standard & Poor's Rating Services (S&P) and Baa3 or higher by Moody's Investors' Service, Inc. (Moody's). PacifiCorp's current senior secured debt ratings are A by S&P and A1 by Moody's.

The requested authority will supplement the financing flexibility previously authorized in Case No. PAC-E-10-02, Order No. 31018, approving a \$2 Billion authority. Under the current authority, \$1.875 Billion has been issued. The remaining \$125 Million is not anticipated to be utilized if the current request is granted and could be withdrawn if the Commission so orders. The securities will be issued in one or more transactions and consist of securities issued or exchanged as public or private placements in the form of secured or unsecured debt. The maturity, other terms and interest rate for each issue will be determined at the time of issuance. The issuance(s) may be at a fixed rate set at the time of issuance or variable interest rate based on a published index of short-term rates such as Treasury bills, commercial paper or LIBOR. Fees will be charged based on the type of security issued but are expected to average 1% - 3% of the outstanding balance. Any First Mortgage Bonds issued will be issued under the PacifiCorp Mortgage. The Commission has previously authorized the Company to incur the lien of the

PacifiCorp Mortgage in Case No. U-1046-15, Order No. 22157. The variety of funding options requested will allow the Company to evaluate the all-in cost of each option after considering all associated fees so the issuances result in borrowings at lower costs.

The requested financing authority will provide funds for one or more utility purposes. These include capital requirements for the following purposes: redemption of debt, acquisition or construction of new plant along with the improvement of existing plant for generation, distribution, transmission and general purposes to provide or improve utility services.

STAFF RECOMMENDATION


Staff recommends approval of the shelf authority of \$1.575 Billion debt for the period through June 30, 2019. The Company's prior commitment since Case No. PAC-E-99-3 to a cost test remains effective where foreign transactions will not be utilized for ratemaking unless and until PacifiCorp can show that the all-in costs are not greater than the all-in cost of similar domestic borrowings.

The remaining commitments and terms in prior cases, including Case No. PAC-E-10-02, Order No. 31018, remain effective. As a condition of this authority, PacifiCorp's senior secured debt will be rated at investment grade or PacifiCorp will follow the established procedure of notification if the ratings drop. The required Quarterly Financing Activity Reports and credit rating reports, to the extent not filed in the MEHC Acquisition Case No. PAC-E-05-8, Order No. 29998, will continue to be filed in this case.

COMMISSION DECISION

Should the \$1.575 Billion shelf authority for debt be approved?

Should the authority be approved through June 30, 2019 with the existing terms and conditions including maintaining the investment grade rating, continuing the additional reporting requirements and providing the anticipated details of the transaction, and meeting the all-in cost test commitment for foreign transactions?


Terri Carlock